

Ans. of Q.No.1

a) Precis:

It is wrong to think that material possessions alone can give real happiness. Happiness can be achieved only through contentment, honesty and truthfulness. All religious books show the importance of moral values in life. But these values need to be repeated time and again. They are needed most in the present day world. It is through them that the evils of the world can be removed. It is no good criticising others. One should reform one's own self.

b) Way to Real Happiness

- | | | | | |
|----|------|-------------|---|--------------------------------|
| c) | i) | Secure | - | Get |
| | ii) | Contentment | - | Satisfaction with what one has |
| | iii) | Scriptures | - | Book of Books (Granth) |
| | iv) | Reiteration | - | Saying something again |
| | v) | Resolve | - | Decide or solve something |

- d) To get the necessary task done filtering option shall come into play. First select the table displaying the details and Select Sort & Filter option from the Editing section.

Click on the drop arrow that has appeared after applying filter. Select the number option & choose option "greater than or equal to" and put the value of passing marks in this column. This will display the list of passed students only. Select the columns & the lower section of sheet will display the count.

Find **percentage of passed students** by applying formula= count of passed students/total students*100

For failed Student: Click on the drop arrow that has appeared after applying filter. Select the number option & choose option "less than" and put the value of passing marks in this column. This will display the list of failed students only. Select the column & the lower section of sheet will display the count.

Find **percentage of failed students** by applying formula= count of failed students/total students*100.

Paper-V- (SAS-II)-Model Solution

(Drafting & Computer Knowledge)

Ans. of Q.No.2

(a)

To

M/s: ABC, Ltd., Gurgaon.

Subject: Regarding slippage in delivery schedule – W.O. cum Contract Agreement dated-----

Reference: This office memo No....dated.....,and memo no.....dated.....

Dear Sir,

On the subject cited above, this is to remind you that as already reiterated on previous occasions (See reference above) you have failed to adhere the delivery schedule mandated by the work order. As is known the payments in the project are strictly milestone based and are tightly coupled to the milestones achieved. It is apparent that you have singularly failed to ramp up the manpower on the ground in the project and consequently the progress of field survey and the subsequent digitization of the acquired data is getting delayed. In the event therefore, we are not in a position to either derive any benefit out of already delivered systems nor are in a position to start the eventual user acceptance stage of the project. Please be informed that the poor performance on your part is also adversely affecting the morale of our workforce deployed in the project while at the same time leading to increased pressure on PSTCL from the sponsors of the project.

It is regrettably pointed out that in case you do not take immediate steps to significantly raise the level of resource deployment from your side, it may be too late for salvaging the project. As already pointed out, no further payments can be released to you at the moment in absence of the milestone achievement. Rather, it is added here for good measure that you may please refer to the penal provisions in the subject cited work order wherein for every weeks delay a deduction of 0.5% (subject to max of 10%) shall be made from the regular payments. Also any further delay on your part shall leave PSTCL with no alternative but to terminate the contract and get the pending work completed from outside at your risk and cost.

Treat it Most Urgent Please.

Regards.

XYZ

(b)

PUNJAB STATE POWER CORPORATION LTD.
(Reg. Office: P.S.E.B. Head Office, The Mall, Patiala-147001)
C.I. No: U40109PB20108GC033813 www.pspcl.in
Office: CE/Commercial, PSPCL, The Mall, Patiala

Public Notice

It is informed general public that due to the huge demand, PSPCL with the approval of PSERC, is glad to inform the general public that Voluntary Disclosure Scheme which was earlier valid up to 31.07.2018 has been extended to 31.10.2018 with the same term and conditions. The detail of same can be downloaded/checked from PSPCL website i.e. pspcl.in.

Sd/-

CE/Commercial

(c)

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(Reg. Office: P.S.E.B. Head Office, The Mall, Patiala-147001)
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Office: Sr.Xen/Operation Division (East), PSPCL, Patiala

Public Notice

Disciplinary proceedings were initiated against Mr. X S/o Mr. Z Date of birth.....Emp.ID.....who was working in the office of undersigned and was charge sheeted vide memo no. 541 dated 18.08.2016 by the undersigned for wilfully absenting himself from duty. He was informed accordingly and registered notices were sent to his last given address a number of times but the notices were returned undelivered by postal authorities with the remarks "Addressee left abroad".

It is clear from the above that employee is not receiving the charge sheet and notices wilfully. He has been remaining absent from 21.01.2016.

Through, this publication Mr. X who is now residing abroad/India/Punjab/Patiala is directed to appear before the undersigned within 30 days from the date of publication of this notice, failing which it will be presumed that he has nothing to say in the matter and his services will be terminated as per instructions of the department.

Sd/-

Sr. Xen/Operation Division(East)

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Ans. of Q.No.3

- (a) (i) The teacher asked that how many of them thought the answer was correct.
(ii) Megha asked him if that was his book.
(iii) Rama said that it was a surprise for all of them.
- (b) (i) You must not indulge in verbosity.
(ii) There are no taxis available at night.
(iii) I have to get up at day break every day.
- (c) (i) To support the role and view of another person.
(ii) To take him as a model.
(iii) Halting between two opinions.
- (d) (i) India is a diverse country.
(ii) One of our cats has disappeared.
(iii) The passenger train will leave as soon as the main train arrives.
- (e) (i) He is known to be a rich man.
(ii) The mouse was killed by the cat.
(iii) He was seen opening the box.
- (f) Right click on the time in the System tray on the menu bar of Windows OS. The system tray is located in the bottom right-hand of your computer screen. Click the Adjust Date/Time menu item. This opens the Date/Time Properties window; In this window, you can adjust the time, date and time zone. Once the proper date and time has been set, click on Apply and then OK.

Ans. of Q.No.4

(a) Four differences in Manual Accounting and Computerised Accounting:-

i) **Speed:-** The main difference between manual and computerised system is speed. Accounting software processes data and creates reports much faster than manual systems. Calculations are done automatically in software programs, minimising errors and increasing efficiency. Once data is input, one can create reports literally by pressing a button in a computerised system.

ii) **Cost:-** Another difference between manual and computerised system is cost. Manual accounting with paper and pencil is much cheaper than computerised system, which requires a machine and software. Other expenses associated with accounting software include training and program maintenance. Expenses can add up fast with costs for printers, paper, ink and other supplies.

iii) **Backup:-** A third difference between manual and computerised system is the ease of backup of a computerised system. All transactions can be saved and backed up, in case of fire or other mishap. You cannot do this with paper records, unless you make copies of all pages—a long and inefficient process.

iv) **Ease of Distribution:-** In manual accounting, we create and distribute invoices, bills and other records by hand. With digital accounting, you can create the same set of documents in much less time, and print as many copies as we need. We can then send digital documents via email, allowing us to limit the amount of physical media. With computerised accounting software, it is easy to print copy and send any documents needed by our business.

(b) i) **Virus:-** A malicious software which enters the Computer forcibly and corrupts the operating system and other software.

ii) **Windows:-** It is the operating system used in computers. It acts as interface between user and the hardware.

- iii) **Software:-** These are the applications that perform various functions on a computers. For e.g. MSWORD, EXCEL etc.
- iv) **Ctrl+C:-** This command is used to copy a file, folder or text in windows.
- v) **Ctrl+P:-** This command is used to print a file, folder or text in windows.

- (C) **Step-1:** Open your email Client
Step-2: If asked enter user name & password
Step-3: Locate the email in your box
Step-4: Download the email attachment
Step-5: Open the downloaded document in MS word
Step-6: Modify and save the document
Step-7: Reply to the email sent by your subordinate
Step-8: Attach the modify document with your reply
Step-9: Send the reply email.

(d) **Types of Tally ERP 9 vouchers include:**

- i) **Contra Vouchers-> (F4):** It indicates the transfer of funds from bank account to the cash account or cash account to bank account, or one bank to another bank account.
- ii) **Payment Voucher-> (F5):** It indicates payment histories like payment of salary or office rental
- iii) **Receipt Voucher-> (F6):** This voucher describes any transaction that involves the receipt like payment made to bank
- iv) **Journal Voucher-> (F7):** It includes the expenses to maintain the business or company running like expenses made after marketing
- v) **Sales Voucher-> (F8):** This voucher describes the sales made, it displays the sale invoice
- vi) **Purchase Voucher-> (F9):** Entry in this voucher is made when any item is purchase for running the business
- vii) **Reversal Journals-> (F10):** It is special journal entry that is automatically reversed after the date of journal
- viii) **Memo Voucher-> Ctrl+F10:** Entry in this voucher is made to display the unknown expense at that moment of time and can be converted to actual sale voucher, or it can also be deleted

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Ans. of Q.No.5

Correct Answer:

- (1) a) Freezing
- (2) a) Slide Master
- (3) b) Ctrl + K
- (4) c) 400%
- (5) a) Home
- (6) a) 2
- (7) d) 1024
- (8) c) MS Windows
- (9) a) Line chart
- (10) c) =
- (11) b) &
- (12) a) font styles
- (13) b) Prime memory
- (14) c) Break command from insert menu
- (15) d) Press F7
- (16) c) Formatting
- (17) c) Output device
- (18) d) Input device
- (19) d) Expansion slots
- (20) c) Floppy disk

**1 A Machinery Account for the period of three accounting years
2015-16 to 2017-18**

Date	Particulars	Amount	Date	Particulars	Amount
2015 Oct 1	To Bank Account	18,00,000	2016 Mar 31	By Depreciation A/C (18,00,000x10/100x6/12) By Balance C/d	90,000 <u>17,10,000</u> 18,00,000
2016 Apr 1	To Balance b/d	17,10,000	2017 Jan 1	By Bank Account	4,50,000
2017 Jan 1	To Bank A/C	9,00,000	Jan 1	By Profit and Loss A/c	77,250
		<u>26,10,000</u>	Mar 31	By Depreciation A/c	1,79,250
			Mar 31	By Balance C/d	<u>19,03,500</u> 26,10,000
2017 Apr 1	To Balance b/d		2017 Aug 31	By Bank Account	8,00,000
Oct 1	To Bank A/c	19,03,500	Aug 31	By Profit and Loss A/c	1,83,250
		5,00,000	2018 Mar 31	By Depreciation A/c	1,55,500
		<u>24,03,500</u>	Mar 31	By Balance C/d	<u>12,64,750</u> 24,03,500

Working Notes:

1. Calculation of Profit/Loss on sale of M/c on 1.1.2017 Cost of the Machinery Sold (18,00,000x1/3) Less Depreciation for 6 Months 2015-16 Less Depreciation for 9 months 2016-17 Book Value Less Sales Value Loss on Sale	6,00,000 <u>30,000</u> 5,70,000 <u>42,750</u> 5,27,250 <u>4,50,000</u> 77,250
2. Calculation of Depreciation for the year 2015-16 Book value of the Machinery on 1.4.16 Less Book Value of the Machinery sold Book Value of the Machinery unsold on 1.4.16 Depreciation on Machinery unsold 11,40,000x10% Depreciation on machinery sold Depreciation on new machinery (9,00,000x10x3) 100x12	17,10,000 <u>5,70,000</u> 11,40,000 1,14,000 42,750 <u>22,500</u> 1,79,250
3. Calculation of Profit/Loss on Sale of Machinery on 1.8.2017 Cost of the Machinery Sold Depreciation for 6 Months 2015-16 Depreciation for 5 months 2016-17	12,00,000 <u>60,000</u> 11,40,000 <u>1,14,000</u>

Depreciation for 5 Months 2017-18	10,26,000
Book Value of machinery sold	<u>42,750</u>
Less Sales Value	9,83,250
Excess on Sale	<u>8,00,000</u>
4. Calculation of depreciation for the year 2017-18	<u>1,83,250</u>
Value of the machinery on 1.4.17	19,03,500
Book Value of the machinery sold	<u>10,26,000</u>
Value of machinery unsold	<u>8,77,500</u>
Depreciation on machinery unsold $8,77,500 \times 100\%$	87,750
Depreciation on machinery Sold	42,750
Depreciation on new machinery $(5,00,000 \times 10\% \times 6/m)$	<u>25,000</u>
	<u>1,55,500</u>

8 Marks

1 B

Bank Reconciliation Statement of Mr. Jones

As on 31.3.2018

Item	Amount	Total
Account A		
Balance as per Cash book		5,000
Add Amount deposited but wrongly entered in a/c B	1,500	
Add Cheques issued but not yet presented	10,000	
Add Interest credited by bank	<u>50</u>	<u>11,550</u>
		16,550
Less Amount withdrawn wrongly credited to a/c B	500	
Less incidental expenses charged by bank	10	
Less: Amount deposited but not yet credited balance as per Pass book.	<u>5000</u>	<u>5,510</u>
		<u>11,040</u>
Account B		
Overdraft as per cash book		2,250
Add Amount deposited in a/c 'A' wrongly entered in B	1,500	
Add Incidental charged by bank	25	
Add Interest charged by bank	275	
Add amount deposited but not credited by bank	<u>3500</u>	<u>5300</u>
Less Amount withdraw from a/c A wrongly entered in a/c B	500	7,550
cheques issued but not yet presented	<u>1000</u>	<u>1500</u>
Overdraft as per Pass Book		<u>6,050</u>

8 Marks

1 C

Following points are considered for determining the amount of depreciation.

1. **Cost of Asset:** The original cost of asset paid/parable on acquisition of asset is increased with the amount spent on installation, freight, loading and unloading charges, transit insurance, octroi, import duty etc. The aggregate amount is called cost of asset.
2. **Estimated working life:** Technical expertise is required to estimate the working life of an asset. Conditions under which the asset is maintained and preserved affect the life of asset. The estimated working life of the asset may be measured in terms of years, months, days, hours output (unit & weight) kilometers etc.
3. **Salvage/Residual/Scrap value:** It refers to the estimated amount which will be realized when asset is sold, discarded or exchanged for a new asset at the end of its working life. Cost of asset minus residual value is called the Depreciable Amount which is charged over the working life of asset.
4. **Provision for repairs and renewals:** Proper repairs and renewals undertaken at regular intervals help in keeping the asset in good condition. Both handling and careless approach adversely affect the life of the asset. Thus, before estimating the amount of depreciation this factor must be taken into consideration.
5. **Depreciation in case of obsolescence:** If the asset is likely to be of nil value due to some new inventions, more amount of depreciation should be provided. Lesser the period more will be the amount of depreciation, Suppose if the asset is expected to be obsolete within 6 years, the firm will have to split its value over 6 years. If it will obsolete in 5 years, the value will be split over 5 Years. It means the amount of depreciation charged over every year, will increase with more quick obsolescence.
6. **Legal provisions:** If there are some legal provisions for providing depreciation on asset the same should be taken into consideration. Provisions of companies Act 1956 and income Tax Act 1961 are relevant in this regard.
7. **Additions to assets:** Any capital expenditure incurred on extension or addition to old machinery will be subject to depreciation in the year in which the addition is made to the asset.

4 Marks

4

2. (A) Capitalisation of borrowing cost cease in following cases:-

1. Cessation on Completion :-

Capitalisation of Borrowing Costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2. Substantial Completion:-

A qualifying Asset is normally ready for its intended use or sale when its physical construction or production is complete even though routine administrative work might still continue. If there are only minor modifications e.g. pending decoration of a property to user specifications then it indicates that substantially all the activities are complete.

3 Divisible and Indivisible Project:- These situations are analysed below:-

- i) In case of divisible projects, capitalisation of Borrowing Costs in relation to a part should cease when substantially all the activities necessary to prepare that part of the asset for its intended use or sale are complete.
- ii) In case of indivisible projects, Capitalisation of Borrowing Costs should cease only when substantially all the activities necessary to complete the whole of the assets for its intended use or sale, is complete.

5 Marks

2 B

As per AS-12, Government Grants are assistance by Government in cash or kind to an enterprise for past or future compliance with certain conditions. Hence the incentive from State Government is a Government Grant.

Treatment: The treatment of a Government Grant would depend on its nature.

- a) When the Incentive is in the nature of Promoter's contribution it is treated as Capital Subsidy.
- b) When the Incentive is related to Revenue, it is recognized as Income in accordance with AS-12.

Conclusion: The treatment in the given case is appropriate only when the Incentive received from the State Government is in the nature of Promoter's Contribution. Otherwise the Auditor should qualify his report from non-compliance with AS-12

5 Marks

2C

- 1) Recoverable Amount: Recoverable Amount is the higher of "Net Selling Price" or the "value in Use" of the Asset.
- 2) Asset: The term Asset applies equally to an Individual Asset & a Cash Generating Unit.
- 3) Use of Averages etc: In some cases estimates, averages and simplified computations may provide a reasonable approximation of the detailed computations for determining the "Net Selling Price" or the "value in Use".

5

- 4) Higher than Carrying Amount: If either "Net Selling Price" or "Value in Use" exceeds the Carrying Amount, then the asset is not impaired and it is not necessary to calculate the other amount.
- 5) Asset or Cash Generating Unit wise determination: The Recoverable amount is determined for an Individual Asset or to the Cash Generating Unit, in the following manner:- **Determination of recoverable Amount**

For an Individual Assets	For a Cash Generating Unit
When Cash Flows arising from continuing use of the Asset are largely independent of Cash Inflows from other assets or groups of assets.	When Cash Flows arising from continuing use of the Asset are largely dependent on Cash Inflows from other assets or groups of assets. Exceptions When the assets NSP is higher than the Carrying Amount (no impairment loss at all) When the assets VIU can be estimated to be close to its NSP and the NSP can be determined.

5 Marks

2 D

1. **Meaning:** related party Transaction refers to a transfer of resources or obligations be related parties, regardless of whether or not a price is charged.
2. **Presumption of Arm's Length Price:** There is a general presumption that transactions reflect Financial Statements are made on an arm's-length basis between independent parties. The pursuance may not be valid when the parties are related.
3. **Nature of Related Party Transactions:**
 - a) Related Parties may enter into some transactions which unrelated parties would not enter into.
 - b) Transactions between related parties may not be effected at the same terms and conditions as between unrelated parties.
 - c) Sometimes, no price is charged in related Party Transactions, like free provision of management services, extension of free credit on a debt, etc.
- 4) **Related Party Relationships.**
 - a) Even when there are no related party transactions, the operating results and financial positions of an enterprise may be affected by a related party relationship.
 - b) The mere existence of the relationship may be sufficient to affect the transactions of the reporting enterprise with other parties.
Due to the above the accounting measures may not represent what they usually would be expected to represent. Thus, related party transactions and relationship could have an effect on the financial position and operating results of the reporting enterprise.

5 Marks

3 A

Following are the main points of distinction between a private limited company and a public limited company:

1. **Minimum number of Members:** The minimum number of members to constitute a private company is two but a public company cannot be formed unless there are at least seven members. The companies Act, 2013 has also introduced concept of one person private company.
2. **Maximum number of Members:** The maximum number of members in case of a private company is 200 but there is no maximum limit of members for a public company it can have members equal to the number of shares issued by it.
3. **Minimum requirement of capital:** A Private company must have a minimum paid up share capital of one lakh rupees or such higher paid up share capital as may be prescribed whereas a public company must have a minimum paid up share capital of five lakh rupees or such higher paid up share capital, as may be prescribed. But now both types of companies can be incorporated with zero paid up capital as per Companies Amendment Act, 2015
4. **Issue of prospectus:** A Private company can not invite public to subscribe to its shares or debentures by issue of prospectus but a public company must issue a prospectus or a statement in lieu of prospectus for inviting public to subscribe to its shares or debentures Membership of private company is restricted to friends because it cannot invite public to subscribe to its shares.
5. **Transfer of shares:** The transfer of shares is generally restricted by the articles of association of a private limited company .But the shares of a public company are freely transferable by following a procedure of transfer.
6. **Commencement of business:** A private company can allot shares and commence business after getting the certificate of incorporation from the Registrar of companies. But a public limited company cannot allot shares unless it has collected minimum subscription and has received at least 5% of the nominal amount of shares applied in cash on application. It can commence business only after getting the certificate of commencement of business. As per recent guidelines issued by the Central Government, the minimum subscription in case of public or right issue of shares or debentures, has been fixed at 90% of the entire issue. Such subscription must be raised within 90 days of the close of issue.
7. **Number of directors:** private limited company must have at least two directors whereas a public limited company is required to have at least three directors.

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8. **Quorum for meetings:** The Quorum for a meeting of a private company is two while five members constitute a quorum in case of a public company.
9. **Use of the word 'Limited':** In case of a private company the word private limited must be used at the end of the name of a company. But the word limited is used at the end of the name of public company.
10. **Legal formalities:** A private limited company is required to observe a less number of legal formalities as compared to a public company. for example a private company is not required to call a statutory meeting and to file a statutory report to the Registrar of Companies. A Private company need not send the list of director's, a director's consent to act as such, a director's contract to take up qualification shares etc to the Registrar of companies.
11. **Application for shares or debentures to be dealt with on the stock exchange:** It is obligatory for a public limited company offering shares or debentures to the public for subscription by the issue of a prospectus to make an application before such issue to one or more recognized stock exchanges for permission of such shares or debentures to be dealt with on the stock exchange or exchanges. The name of each of the stock exchange to which the application will be made has to be mentioned in the company's prospectus. No such obligation is imposed on a private limited company.
12. **Restrictions regarding managerial remuneration:** Public limited companies cannot pay managerial remuneration in any financial year more than 11% of the net profits of the company for that financial year .But no such restriction applies in case of a private limited company.

6 Marks

3B

Journal entries in the books of the Company

Bank Account	Dr	1,56,000	
to Share Application Account			1,56,000
(For on Application money received 52,000 shares @ Rs 3 per share)			
Shares Application Account	Dr	1,56,000	
To Share Capital Account			1,20,000
To Bank			36,000
For application money of 40,000 shares transferred to share capital account and application money of 12,000 shares refunded)			

8 Model Sol. of SAS-II / S-8/18/P-VI

Share allotment A/c To share Capital A/c To Securities premium reserve A/c For allotment money and securities premium due on 40,000 shares @ 2 and 1 per share respectively as per resolution of the Board of Directors)	Dr	1,20,000	80,000 40,000
Bank Account To share Allotment A/c To Calls in Advance Account (For the receipt of allotment money @ 3 on 39,880 shares and advance call money on 80 shares @ 5 each).	Dr	1,20,000	1,19,640 400
Share First and Final call A/c To share Capital A/c (For the amount due in respect of first and final call on 40,000 shares @ 5 per share as per resolution of the Board of Directors)	Dr	2,00,000	2,00,000
Bank Account To share First & Final Call A/c To Share Allotment Account (For the amount received on account of first and final call on 39,920 share @ Rs 5 and calls in arrears of allotment)	Dr	1,99,960	1,99,600 360
Call in Advance A/c To Share First & Final Call A/c (adjustment of calls in advance against the first and final call)	Dr	400	400
Interest on Calls in Advance A/c To Bank (Interest Paid on calls in advance on Rs. 400 for 3 Months @ 12% p.a)	Dr	12	12
Bank Account To interest on calls in Arrears A/c (Receipt of interest on calls in arrears on Rs 360 for 3 Months @ 10% p.a)	Dr	9	9

(8 Marks).

3 C

Following important provisions regarding the redemption of preference shares are given under Section 55 of the Companies Act, 2013.

- 1) No company listed by shares shall after the commencement of the Companies Act 2013 issue any preference shares which are irredeemable.
- 2) No company listed by shares shall issue preference shares which are to be redeemed after the expiry of 20 years from the date of their issue.
- 3) Such shares cannot be redeemed unless they are fully paid up. In other words partly paid up shares cannot be redeemed. This provision is made in order to protect the interest of the creditors.
- 4) Such shares can be redeemed either out of profits which would be available for dividend or out of the proceeds of a fresh issue of shares made with the object of redemption. These shares cannot be redeemed out of the proceeds of fresh issue of debentures or out of the sale proceeds of any property of the company as it will lead to erosion of available security to the creditors. Capital profits such as shares forfeited account development rebate account, capital redemption reserve account, securities premium reserve, profit prior to incorporation, capital reserve are not available for dividend. If shares are to be redeemed at premium, then such premium must be provided either out of the accumulated profits of the company or out of the company's securities premium reserve. The word 'proceeds' implies the amount received excluding the amount of securities premium if the shares are issued at a premium but the net amount of the shares is issued either at a par or at a discount.
- 5) When the Shares are redeemed out of profits available for distribution as dividend, a sum equal to the nominal amount of the shares so redeemed must be transferred out of profits to a reserve account to be called 'Capital Redemption Reserve Account'. This provision is made in order to immobilized profits from being used for any other purpose such as declaration of dividend, redemption of debentures, etc.
- 6) Such reserve can be used for issuing fully paid bonus shares to the shareholder. This account cannot be reduced except in accordance with the sanction of the relating to reduction of share capital.
- 7) Redemption of preference shares should not be regarded as a reduction authorised capital of the company and as such the reduced shares should remain the authorised capital and must be shown in the Balance Sheet.

(6 Marks)

4 A

Difference between internal Check and internal Audit :-

Basis of difference	Internal check	Internal Audit
Meaning	It is the arrangement of staff in such a way that work done by one is checked by other automatically	it is continuous examination of effectiveness of internal control system
Object	To prevent error and frauds	To discover the error and frauds.
Nature	Recording and checking of entries with allocating the duties judiciously.	Checking of entries recorded before
Timing	During the course of recording itself .	Starts after record's have already been entered.
Scope	Limited scope	Broader than internal check
Need for separate staff	Not Necessary	Special staff in engaged for this purpose.
Involvement	Large number of employees are needed for its implementation	Much smaller number of people are needed

5 Marks

4 b

Difference between vouching and verification

Basis of Comparison	Vouching	Verification
Nature of work	In vouching a thorough examination of the entries relating different business transactions is done on the basis of documentary proof	In Verification the physical existence and the real value of the assets and liabilities is done as appearing in the Balance Sheet.
Basis	The whole vouching is base on documentary proofs	Verification is basically based on physical verification and valuated ion of assets and liabilities .
Time	vouching is done	Verification Is being ordinarily

Model Sol. of SAS-II / 5-8/18/P-VI

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	throughout the year	done at the end of the financial year after preparing the final accounts
Valuation	No valuation of the assets and liabilities is done under vouching	In Verification beside physical verification of assets and liabilities the real valuation is done of all the assets shown in the financial statements
Personnel	Vouching is being done by Article or Audit clerks..	Verification and Valuation is seen by the Auditor himself .

5 Marks

4 C

Difference between internal Audit and Statutory Audit :-

Basis of Distinction	Internal Audit	Statutory Audit
1. Scope	The duties rights and responsibilities of internal auditor is determined by the management.	since the independent auditor is appointed under statute . Therefore his scope of work is laid down by the statute.
2. Object	It is conducted to detect and prevent errors and frauds with a view to serve the needs of management.	It is carried out to check the accuracy of books of account.
3. Appointment	Internal auditor is appointed by management .His appointment is optional	statutory auditor is either appointed by shareholder or by government .His appointment in compulsory by law.
4. Status	Internal auditor is regularly paid employee of the concern	Statutory auditor is an independent person.
5. Qualification	Professional qualification is not necessary	Statutory auditor must have professional qualification as laid down by companies Act.
6. Duration of audit work	Carried out through out the year	Conducted periodically after the preparation of

Model Sol. of SAS-II / S-8 / 18 / P-VI

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		final accounts.
7. Remuneration of auditor	fixed by management	fixed by shareholder
8. Reporting	Submit his report to management	submit his report to shareholders
9. Attendance at meeting of share holders	No right to attend the meeting of shareholders	Legal right to attend such meeting.
10. Procedure	Does detailed checking and examination of all accounts and books	Does not concentrate on detailed checking but adheres to test checking.

5 Marks

4 d

Difference between Accounting and Auditing :-

Basis	Accounting	Auditing
Nature	Accountancy is concerned with compilation of accounting information for preparing Profit and Loss Account and Balance sheet.	auditing is concerned with checking and verification of Financial Statements.
object	The main object is to find out operating result of a given period and financial position of the business as on a particular date.	The main object is to ascertain truth and fairness of financial statements and also to prevent and detect the errors and frauds.
Scope	Its scope is restricted to preparation of financial statements and their interpretation	It is determined by the agreement between auditor and his client.
qualification	An accountant need not to have any formal qualification ie. chartered Accountant	An auditor must be a qualified chartered Accountant (CA)
Commencement	It starts where book keeping ends	It starts where accountancy ends.
Reporting	The Accountant is not required to submit a report to the proprietor on the accounts and	The Auditor has to submit the report to the proprietor about correctness and

	statements prepared by him.	presentation of accounts audited by him.
Basis of remuneration	The Accountant is paid monthly salary	The Auditor gets a fixed amount as per agreement with his client
Approach	The Accountant is basically constructionalist in approach	An Auditor is analyst in approach
Appointment	An Accountant is a permanent employee of the business and works directly under the management.	Auditor is an independent person appointed with specific purpose and he may be changed from year to year.
Level of Knowledge	An accountant is not required to have thorough knowledge of auditing and its techniques.	An auditor must have thorough knowledge of accounting as well as audit techniques and procedures
Duration	Accounting work is conducted throughout the year	An Auditing maybe conducted at the end of financial year or periodically.
Governing authority	Accountancy is not governed by professional regulations	Auditing is governed by the code of conduct and standards laid down by its profession i.e. by the ICAI (Institute of Chartered Accountants of India).

5 Marks

5 A**Factors to be considered while vouching of petty cash expenses :-**

- 1) Identify persons having the access to petty cash.
- 2) verify the limits of the imprest and proper authority needed for any increase therein
- 3) Identify the limits as to amount of petty cash disbursements.
- 4) Examine the reconciliation statements prepared regularly for petty cash based on vouchers.
- 5) Trace the amounts advanced to petty cashier for meeting the petty office expenses from cash book in the petty cash book.
- 6) Payments from the petty cash should be checked with vouchers dully authorized and where possible with invoices, bills and receipts signed by the payees.
- 7) Trace the postings from petty cash book into nominal ledger head of account.
- 8) Examine the suspense vouchers and ensure that they are reversed with a reasonable time .
- 9) Verify the balance of petty cash in hand

Factors to be considered while vouching of payment of income tax :-

- 1) Ensure that taxable income has been properly computed as per the provisions of Income tax Act.
- 2) Ensure that the taxes and surcharge payable have been correctly derived after considering TDS if any.
- 3) Payment or advance payments of income tax should be verified with the notice of demand and receipted Challan acknowledging the amount paid .
- 4) Interest allowed on advance payments of income tax should be included as income and penal interest charged for nonpayment should be debited to the interest account.
- 5) Trace the payment of tax on the appropriate dates i.e. dates of clearing of cheques.
- 6) Ensure the compliance with accounting standards i.e. AS 22
- 7) Ensure that provisions of CARO have been complied with.

10 Marks

5 B

Provisions of Cost Accounting record rules provide Maintenance of record for interest and finance Charges as under:-

- a) Interest and finance charges are Cost incurred by an enterprise in connection with the borrowing of fund or other costs which in effect represent payment for the use of non- equity fund.
- b) Interest and financing charges incurred shall be identified for
 - i) acquisition or construction or production of qualifying assets including fixed assets and
 - ii) other finance costs for production of goods or operations or services rendered which cannot be classified as qualifying assets.
- c) interest and financing charges directly attributable to the acquisition or construction or production of a qualifying asset shall be included in the cost of the asset.
- d) Interest and financing charges shall not include imputed costs.
- e) Subsidy or grant or incentive or amount of similar nature received or receivable with respect to interest and finance charges if any shall be reduced to ascertain the net interest and financing charges.
- f) Penal interest for delayed payment fines penalties, damages and similar levies paid to statutory authorities or other third parties shall not form part of the interest and financing charges. In case the company delay the payment of statutory dues beyond the stipulated date, interest paid for delayed payment shall not be treated as penal interest.
- g) Interest paid for or received on investment shall not form part of the other financing charges for production of goods or operations or services rendered.
- h) Assignment of interest and financing charges to the cost objects shall be based on either of the following two principles i.e.
 - i) Cause and effect cause is the process or operation or activity and effect is the incurrence of cost and
 - ii) Benefits received to be apportioned to the various cost objects in proportion to the benefits received by them.

(10 Marks)

Model Solution of SAS-II | S- 8/18/P- 7

Ans-1

- I. 120000,140000
- II. 6 meters
- III. Schedule-I
- IV. 5 year
- V. One who has completed 18 years of age
- VI. Minimum not defined, Maximum Rs. 21,000
- VII. 48 hours
- VIII. 250
- IX. Employee State Insurance Corporation (ESIC)
- X. 7 days

Model Sol. of SAS-II | 5-8/18 | P-7

Ans-2

- I. False, It is a deposit with Bank
- II. 3 months (90 days)
- III. Section 138
- IV. Due date to Deposit March-18 TDS=30.04.18 & return filing 31.05.2018
- V. Salaried Person :31 July and Companies : 30 September
- VI. Half yearly April-September : 25th October and Oct-March :25th April
- VII. Form C, It is to be issued quarterly, within one month from end of respective quarter.
- VIII. One third of Total strength of director or two director ,whichever is higher
- IX. Yes period can be extended up to 6 months by Board resolution with prior approval of NCLT earlier ROC.
- X. 30 days.

Ans -3

- I. Compensation for loss or damage caused by breach of contract is to be dealt under section 73 of Contract Act. When a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby, which naturally arose in the usual course of things from such breach, or which the parties knew, when they made the contract, to be likely to result from the breach of it. **Such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.** Accordingly Ajay is entitled to receive from Rakesh,
- Compensation by way of difference between the contract price of the cloth and its market price at the time of delivery,
 - But not entitled for the profits which he expected to obtain by making caps,
 - Expenses for making preparation for the manufacture and idle labour are also not allowed.

II. **Calculation of Income for FY 2016-17 assessment year 2017-18**

Income from Salary	=Rs 500000
Income from house property (note-1)	=Nil
Total Taxable Income	=Rs 500000

Calculation of Income for FY 2017-18 assessment year 2018-19

Income from Salary	=Rs 600000
Income from house property (Note-5)	= (-) 200000
Total Taxable Income	=Rs 400000

Note-1: Interest on house loan as well as repayment of loan is not allowed u/s 24 and 80C of income tax act, if **construction of house is not completed** during the year.

Note: 2: Interest is allowed on **accrued basis** not on paid basis.

Model Sol. of SAS-II/S-8/18/P-7

Note 3: Interest on House loan taken **from friend** is also allowed u/s 24 of Income Tax act, however **deduction u/s 80C is not allowed.**

Note 4: Prior period interest on house loan Up to 31.03.2017 shall be allowed in 5 installments w.e.f. year of completion i.e. FY 2017-18 to 2021-22

Note-5 Self Occupied house value

A	Interest accrued for FY 17-18(note2 &3)	= Nil
B	1/5 of pre construction interest	= Rs 190000
	Total Interest (A+B)	=Rs 20000 (100000/5)
	Allowed subject to maximum Rs 2 lakhs	=Rs 210000
		=Rs 200000

Income from house property

=Rs (-) Rs 200000

III. Calculation of deduction u/s 80C

- Premium of Rs. 50000 on life insurance policies taken in the name of his major married daughter **is eligible for deduction.**
- Premium of Rs. 50000 on life insurance policies taken in the name of his major married son, who is a practicing engineer, **is also eligible for deduction.**
- Tuition fees Rs 40000 paid to play way school for his minor Daughter **is also allowed u/s 80C**
- Premium paid on his life insurance policy of Rs. 40000. Policy was taken in April 2011 and sum assured was Rs. 150000. **Only 20% of sum assured allowed (20% of Rs 150000)=Rs 30000**
- Premium on life insurance policy taken in the name of his parents who are dependent on him. Premium paid during the year amounted to Rs. 25200. **(not allowed)**

Total eligible amount u/s 80C = 50000+50000+40000+30000+0=170000 but maximum deduction allowed is Rs 150000/-.

Model Sol. of SAS-II / S-8 / P-7

Ans-4

I. Admissible deduction to Raja under section 80D for the assessment year 2018-19 for payment made during financial year 17-18 is as under

- 1) Payment of medical insurance premium on his policy of Rs. 22,000 ;
Eligible
- 2) Payment of Rs.8000 towards expenditure on preventive health check-up (for his own check-up and check-up of his wife).**(Maximum 5000 is allowed)**
- 3) Cash Payment of medical insurance premium on policy of daughter, dependent on him Rs. 5000.**(cash payment not eligible for deduction)**
- 4) Payment of medical insurance premium on policy of his parents (resident and aged 68 years not dependent on Raja's brother), Rs. 18000 on policy of his father and Rs. 18000 on policy of his mother.**(Allowed, even Parents are not dependent on Raja, subject to maximum Rs 30000 being senior citizen (Rs. 50000 from AY 2019-20))**

Total for self & family =22000+5000=27000 but restricted up to Rs 25000/-

Parents =30000

Total Deduction u/s 80D=25000+30000=Rs 55000

II. NOTICE is hereby given that the Eighth Annual General Meeting of the Company will be held at the Registered Office of the Company on Tuesday, 29th September, 2018 at 11:00 AM to consider and transact the following business:

Ordinary Business:

- a. To receive, consider and adopt the Balance Sheet as at 31st March 2015, the Statement of Profit and Loss for the year ended on that date

together with the reports of the Board of Directors and Auditors report thereon.

Special Business:

- a) To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

Resolved that

By Order of the Board

Sd/-

Company Secretary

Place: Mumbai

Date: 7th September, 2018

III. Benefits to members of producer company

- a. Subject to provisions made in articles, every Member shall initially receive only such value for the produce or products pooled and supplied as the Board of Producer Company may determine, and the withheld price may be disbursed later in cash or in kind or by allotment of equity shares, in proportion to the produce supplied to the Producer Company during the financial year to such extent and in such manner and subject to such conditions as may be decided by the Board.
- b. Every Member shall, on the share capital contributed, receive only a limited return: Provided that every such Member may be allotted bonus shares in accordance with the provisions contained in section 581ZJ.
- c. The surplus if any, remaining after making provision for payment of limited return and reserves referred to in section 581ZI, may be disbursed as patronage bonus, amongst the Members, in proportion to their participation in the business of the Producer Company, either in cash or by way of allotment of equity shares, or both, as may be decided by the Members at the general meeting.

IV. The total managerial remuneration payable by a public company, to its directors, including managing director and whole-time director, and its

manager in respect of any financial year shall not exceed 11% of the net profits of that company for that financial year.

Provided further that, except with the approval of the company in general meeting,—

- (i) The remuneration payable to any one managing director; or whole-time director or manager shall not exceed 5% of the net profits of the company and if there is more than one such director remuneration shall not exceed 10% of the net profits to all such directors and manager taken together;
- (ii) The remuneration payable to directors who are neither managing directors nor whole-time directors shall not exceed,—

(A) 1% of the net profits of the company, if there is a managing or whole-time director or manager;

(B) 3% of the net profits in any other case.

The percentages aforesaid shall be exclusive of any fees payable to directors for attending meetings of the Board or Committee thereof or for any other purpose whatsoever as may be decided by the Board.

- V. Books of account may be kept at such other place in India as the Board of directors may decide and when the Board of directors so decides, the company shall, within seven days of the decision, file with the Registrar a notice in writing giving the full address of that other place. If books are not kept as required then person in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees or with both.

Ans:5

- I. When a sample of emission is taken for analysis the person taking the sample shall-
 - i. serve on the occupier or his agent, a notice, then and there, in such form as may be prescribed, of his intention to have it so analyzed;
 - ii. in the presence of the occupier or his agent, collect a sample of emission for analysis;
 - iii. cause the sample to be placed in a container or containers which shall be marked and sealed and shall also be signed both by the person taking the sample and the occupier or his agent;
 - iv. Send, without delay, the container to the laboratory established or recognized by the State Board under section 17 or, if a request in that behalf is made by the occupier or his agent when the notice is served on him under clause (a), to the laboratory established or specified under sub-section (1) of section 28.

- II. Difference between void and voidable contracts:
 - i. **Enforceability**- Void Contracts are not enforceable by Law
Voidable Contracts are enforceable by law at the option of one or more parties thereof.
 - ii. **Claim for damages**- In void contracts no party can claim the damages for the non-performance of the contract. In voidable contracts, aggrieved party can claim damages for any loss sustainable.
 - iii. **Validity**- Void contracts are initially valid but become invalid due to some reasons. Voidable contracts are valid until the party whose consent is not free does not revoke it.
 - iv. **Formation** – Void contracts originates by an agreement made by minor, agreements without considerations, and agreements against public policy or illegal objective. Voidable contracts originate by contracts brought by coercion, undue influence and misrepresentation.

- III. "Dependant" means any of the following relatives of a deceased workman, namely:--
 - (i) a widow, a minor legitimate son, and unmarried legitimate daughter, or a widowed mother; and

Model sol. of SAS-II / S-8/18 / P-7

- (ii) if wholly dependent on the earnings of the workman at the time of his death, a son or a daughter who has attained the age of 18 years and who is infirm;
- (iii) if wholly or in part dependent on the earnings of the workman at the time of his death, (a) a widower, (b) a parent other than a widowed mother, (c) a minor illegitimate son, an unmarried illegitimate daughter or a daughter legitimate or illegitimate if married and a minor or if widowed and a minor, (d) a minor brother or a unmarried sister or a widowed sister if a minor, (e) a widowed daughter-in-law, (f) a minor child of a pre-deceased son, (g) a minor child of a pre-deceased daughter where no parent of the child is alive, or (h) a paternal grandparent if no parent of the workman is alive.

IV. Treatment of Unpaid dividend under Companies Act

- a) Unpaid dividend is required to be transferred within 7 days from expiry of 30 days from date of declaration to a special account to be opened by the company in that behalf in any scheduled bank, to be called "Unpaid Dividend Account of... Company Limited/Company (Private) Limited.
- b) Any money transferred to the unpaid dividend account of a company in unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to INVESTOR EDUCATION AND PROTECTION FUND.

Model Solution of SAS Part-II
Paper- 8th
Session- 8/2018
(Works and Management Accounting)

Paper- 8

Ans 1

(a) Calculation of Net Present Value of Cash Flows:

Year end	Details	Cash Flows (Rs.)	Present Value factor @ 12%	Present Value of Cash flows (Rs.)
0	Cost of New Computer System	(35,00,000)	1	(35,00,000)
0	Disposal Value of used Equipment	(9,00,000)	1	9,00,000
1 to 6	Operation and Maintenance Costs	(7,00,000)	4.108	(28,75,600)
1 to 6	Tax Saving on Operation and Maintenance Costs	3,50,000	4.108	14,37,800
1 to 6	Saving in Annual Tangible benefits	12,00,000	4.108	49,29,600
1 to 6	Tax outflows on Saving Annual Tangible benefits	(6,00,000)	4.108	(24,64,800)
1	Tax Saving on Dep. / 100% write off to Capital Expenditure	17,50,000	0.892	15,61,000
6	Scrap/ Disposal value of Asset at end	1,00,000	0.506	50600
			NPV	38,600

NPV is Positive. So Proposal is viable for the Company for acceptance.

(b) A = Annual demand of the product

O = Ordering cost

C = Carrying cost

$$EOQ = \sqrt{\frac{2AO}{C}}$$

Model Sol of SAS-II/S-8/18/P-8

$$\Rightarrow 400 = \frac{2 \times A \times 20}{10 \times 10 = 1}$$

100

$$\Rightarrow A = 4,000 \text{ Units}$$

Ans. 2(a)

Financial (Cash) Budget

Details	1 st Quarter (Rs.)	2 nd Quarter (Rs.)	3 rd Quarter (Rs.)	4 th Quarter (Rs.)
Opening Cash Balance	10,000	15000	15000	15325
Receipts :-				
Collection from Customers	1,25,000	1,50,000	1,60,000	2,21,000
Total Receipts (A)	1,35,000	1,65,000	1,75,000	2,36,325
Payments:-				
Purchase of materials	20,000	35,000	35,000	54,200
Other Expenses	25,000	20,000	20,000	17,000
Salary & Wages	90,000	95,000	95,000	1,09,200
Income Tax	5,000	-	-	-
Purchase of Machinery	-	-	-	20,000
Total Payments	1,40,000	1,50,000	1,50,000	2,00,400
Minimum Closing Balance required	15000	15000	15000	15000
Total Payments Including Minimum Closing Cash Balance (B)	1,55,000	1,65,000	1,65,000	2,15,400
Excess (Deficit) of Cash C= (A-B)	(20,000)	-	10,000	20,925
Borrowings	20,000	-	-	-
Repayment of Borrowings	-	-	(9,000)	(11,000)
Interest on Repayment of Borrowings	-	-	(675)	(1100)
Cash Balance out of Excess	-	-	325	8825
Net Closing Balance at the end of each quarter	15,000	15,000	15,325	23,825

Ans. 2(b)

Out of- Pocket Cost: This is the portion of the cost associated with an activity that involves cash payment to other parties, as opposed to costs which do not require any cash outlay, such as depreciation and certain allocated costs. Out- of Pocket costs are very much relevant in the consideration of price fixation during trade recession or when a make-or-buy decision is to be made.

Ans. 2(c)

Classification of costs can be made in different ways. Such as:-

- Classification according to the elements viz material, labour and expenses

(ii) Classification according to nature:

Direct and indirect material, direct and indirect labour, direct and indirect expenses

(iii) Classification according to behaviour:

Fixed cost, variable cost, Semi- variable cost

(iv) Classification according to function:

Production cost, administrative cost, selling and distribution cost, and research and development cost.

(v) Classification according to time:

Historical cost, pre-determined cost, opportunity cost, relevant cost, replacement cost.

(vi) Classification according to cost of decision making:

Marginal cost, differential cost, opportunity cost, relevant cost, replacement cost, abnormal cost, controllable cost, shut down cost, capacity cost etc.

Ans. 3(a)

Computation of Stock - out and Inventory carrying cost

Safety Stock Level (units) (1)	Stock - out (units) (2)	Probability (3)	Stock - out Cost (Rs.) (4)=(2)xRs. 150	Expected Stock - out Cost (Rs.) (5)=(3)x(4)	Inventory Carrying cost (Rs.) (6)=(1)xRs.50	Total cost (Rs.) (7)=(5)+(6)
100	0	0.00	0	0	5,000	5,000
80	20	0.02	3,000	60	4,000	4,060
50	50	0.02	7,500	150		
	30	0.05	4,500	225		
			12,000	375	2,500	2,875
20	80	0.02	12,000	240		
	60	0.05	9,000	450		
	30	0.10	4,500	450		
			25,500	1,140	1,000	2,140
10	90	0.02	13,500	270		
	70	0.05	10,500	525		
	40	0.10	6,000	600		
	10	0.20	1,500	300		
			31,500	1,695	500	2,195
0	100	0.02	15,000	300		2,700
	80	0.05	12,000	600		
	50	0.10	7,500	750		
	20	0.20	3,000	600		
	10	0.30	1,500	450		
			39,000	2,700	0	2,700

At safety stock level of 20 units, total cost is least i.e. Rs. 2,140. So, Optimum Safest Stock Level is 20 units.

Working Note:

Computation of Probability of Stock-out

Stock-out (units)	100	80	50	20	10	0	Total
Nos. of times	2	5	10	20	30	33	100
Probability	0.02	0.05	0.10	0.20	0.30	0.33	1.00

Explanation:

Stock – out means the demand of an item that could not be fulfilled because of insufficient stock level. Safety stock is the level of stock of any item which is maintained in excess of lead time consumption. It is kept as cushion against any unexpected demand for that item.

Safety stock level	Impact
100 units	Any unexpected demand upto 100 units can be met.
80 units	Stock out will only arise if unexpected demand will be for 100 units. In this case 20 units will remain unsatisfied. The probability of any unexpected demand for 100 units is 0.02.
50 units	Any unexpected demand beyond 50 units will be remain unsatisfied. If unexpected demand for 100 units arises (probability is 0.02) 50 units will be unsatisfied. Similarly if unexpected demand for 80 units arises (probability is 0.05), 30 units will be unsatisfied.

Note: Similarly 20, 10 & 0 Level units impact has been taken.

Ans. 3(b)

- (i) Force Majure event means event beyond the reasonable control of the generating company or the licensee, including, but not limited to earthquake, cyclone, flood, storm, war, terrorist attack, civil commotion or other similar occurrence that lead to any act that would involve a breach of relevant laws or Regulations.
- (ii) Open Access Customer means a customer permitted by the commission to receive supply of electricity from a person other than distribution licensee of his area of supply, or a generating company (including captive generating plant) or a licensee who has availed or intends to avail of Open access.

Model Sol of SAS-II/S - 8/18/P-8

Ans. 4(a) Calculation of total monthly cost for running truck.

	Amount per annum (Rs.)	Amount per month (Rs.)
(i) Standing Charges:		
Annual fixed costs	60,000	5,000
(ii) Maintenance Charges :	12,000	1,000
(iii) Running Cost :		
Running charges		2,944
Total monthly cost		8,944

Cost per absolute tonne-km. = $\frac{\text{Rs. 8,944}}{44,720 \text{ tonne - km.}}$ = Rs. 0.20
(Refer to working note)

Calculation of profit for the month of January 2012:

	Rs.	Rs.
Truck hire charges received during the month:		
From Outward journey (12 trips x 6 tonne x Rs. 90)	6,480	
From return journey {(5 trips x 8 tonne x Rs. 84) + (7 trips x 6 tonne x Rs. 84)}	6,888	13,368
Less: Monthly running cost	8,944	
Fine Paid for overloading	1,200	(10,144)
Profit earned for the month		3,244

Working Notes:

Calculation of Absolute Tonne-km:

	Tonne-km.	Tonne-km.
Outward journeys :		
From city A to city B (10 journey x 300 km. x 6 tonne)	18,000	
From city A to city C (2 journeys x 140 km. x 6 tonne)	1,680	
From city C to city B (2 journeys x 160 km. x 4 tonne)	1,280	20,960
Return journeys:		
From city B to city A (5 journeys x 300 km. x 8 tonne) + (6 journeys x 300 km. x 6 tonne)	22,800	
From city B to city C (1 journey x 160 km. x 6 tonne)	960	23,760
Total Absolute Tonne-km		44,720

Note: (i) While calculating absolute tonne-km., actual load carried are considered irrespective of the fact it attracts fines or penalty. (ii) Fine paid for overloading is an abnormal expenditure and is not included in the operating cost of the bus. This amount will be debited to Costing Profit and Loss A/c.

Ans. 4(b) (i) Govt. of Punjab loan under Uday Scheme - 54.601
(ii) Intangible Assets written off. - 79.710
(i) Credit Rating Charges. - 76.127

Model Sol of SAS-II/S-8/18/P-8

- | | |
|--|----------|
| (ii) Other Income transferred from Consumer Contribution. | - 62.999 |
| (iii) Encashment of Earned Leave at the time of Leave Travel Concession. | - 75.616 |

Model Sol of SAS-II/s - 8/18/12 8

Ans. 5(a) The offer to accept the order of 5,000 chairs has been evaluated with the help of the following statement:

	Present Position Sale 12,000 units		Position after acceptance of order : Sale 17,000 units	
	Per unit	Total	Per unit	Total
	Rs.	Rs.	Rs.	Rs.
Sales	50	6,00,000	[12,000 x Rs. 50 + 5,000 x Rs. 40)	8,00,000
Less: Variable Cost				
Material	10		9	
Labour	20		20.41*(1)	
Variable overheads	5		5.00	
Total Variable Cost (B)	35	4,20,000	34.41	5,84,970
Contribution (A) - (B)	15	1,80,000		2,15,000
Less: Fixed Cost		1,20,000		1,55,000
Profit		60,000		60,030

Working Note:

$$(1) \text{ Labour} = \frac{\text{Rs. } 2,40,000}{12,000 \text{ units}} \times \frac{100}{98} = \text{Rs. } 20.41$$

Though there is a marginal increase of Rs. 30 in profits by accepting the offer, but it is desirable to accept taking into consideration the possibilities of getting orders in future. But at the same time, it has to be ensured that there will not be general reduction in price because of the acceptance of this order.

Ans. 5(b)&(c)

	Period I	Period II	Decrease/Change
	Rs.	Rs.	Rs.
Total Sales	42,500	39,200	3,300
Total Cost	38,700	36,852	1,848

When sales have declined by Rs. 3,300, total cost has decreased by Rs. 1,848.

Hence,

$$\text{Ratio of variable cost to sales} = \frac{\text{Change in Total Cost}}{\text{Change in Sales}} \times 100$$

(Since Total Cost is changed Change in Sales

$$\text{due to Variable Cost as} = \frac{1,848}{3,300} \times 100$$

$$\text{Fixed Cost will remain} = 3,300$$

$$\text{the same)} = 56\%$$

$$\text{So, P/V Ratio} = 100 - \text{Variable Cost Ratio}$$

$$= 100 - 56$$

$$= 44\%$$

Calculation of Fixed Cost :

Rs.

Total Cost in Period I 39,200

Less : Variable Cost

$$\begin{array}{r} 56\% \text{ of sales, i.e. } \frac{56}{100} \times 42,500 \\ \hline 23,800 \end{array}$$

$$\text{Fixed Cost} = \underline{\underline{14,900}}$$

(b) Break-even Sales =
$$\frac{\text{Fixed Cost}}{\text{P/V Ratio}}$$

$$= \frac{14,900}{44} \times 100$$

$$= \text{Rs. } 33,864/-$$

(c) Sales required to earn a profit of Rs. 6,000.

$$= \frac{\text{Fixed Cost} + \text{Desired Profit}}{\text{P/V Ratio}}$$

$$= \frac{14,900 + 6,000}{44\%}$$

$$= \frac{20,900}{44} \times 100$$

$$= \text{Rs. } 47,500$$